



## HEALTH PROFESSIONS EDUCATION FOUNDATION BOARD OF TRUSTEES MEETING

Virtual Meeting  
November 4, 2020  
10:00 a.m. – 2:00 p.m.

### **Members of the Board present:**

Aaron Byzak (joined late)  
Alexander Ding, MD  
Audrey Dow  
Cinthia Flores, JD (joined late)  
Dev GnanaDev, MD  
Randy Hawkins, MD  
William C. Hendry  
Nuriel Moghavam, MD, President  
William Henning, DO, Ex Officio

### **Members of the Board absent:**

Jennie Carreon de Lacey  
Cynthia J. Cotharn MD  
Shaheen E. Lakhan, MD

### **Staff to Board:**

Caryn Rizell, Acting HPEF Executive Director  
Charise Frisch, HPEF Executive Assistant

### **Additional OSHPD Staff:**

Eric Reslock, Acting OSHPD Chief Deputy Director  
Monica Erickson, OSHPD Deputy Director-  
Administrative Services Division

The following order of agenda items is not sequential and reflects the order in which the Board of Trustees called the items. The item numbers correspond to the published agenda.

### **AGENDA ITEM 1: Call to Order**

President Moghavam called the meeting to order at 10:00 a.m.

### **AGENDA ITEM 2: Roll Call**

Charise Frisch performed the roll call, and a quorum was not present.

### **AGENDA ITEM 3: Welcome**

President Moghavam advised that the scholarship application cycle closed in October, and that he was pleased with the really strong response. He thanked staff for executing on those programs and getting started on the applications. The Bylaws and Finance Committees have been working really hard. Staff recruitments and the Executive Director search continue. He looked forward to discussing the good things going on, including work on the Strategic Plan. He thanked the Health Professions Education Foundation (HPEF) Board of Trustees (Board) for participating in the survey. The Center for Nonprofit Management will share preliminary results of the survey and discuss next steps. Big picture planning continues to move in the right direction.

#### **AGENDA ITEM 4: OSHPD Director's Report**

Eric Reslock, Acting Chief Deputy Director of the Office of Statewide Health Planning and Development (OSHPD), thanked Caryn Rizell for her willingness to take on the additional role of Acting Deputy Director of the Healthcare Workforce Development Division. C.J. Howard has left OSHPD for an opportunity with a startup in the private sector. OSHPD will soon post an opening for the Deputy Director position and fill it as soon as possible. The position is not a Governor's appointment, but filling it may take a while as it is a high-profile position. OSHPD is still monitoring health facilities affected by wildfires throughout the state.

OSHPD's Emergency Operations Center has been operating around the clock for five weeks. Two weeks ago, the Health Care Payments Data Program Advisory Committee convened for the first time. The prior week, Mike Valle, Deputy Director of the Information Services Division, and he briefed the Assembly Health Committee on that program in an informational hearing on healthcare costs. The Cost Transparency Rx Program published its new report about cost increases for those taking drugs introduced to market with a wholesale acquisition cost greater than the \$750 Medicare Part D threshold. Now that staff has sufficient reports and time, they will begin preparing trend lines.

There is a very big and unexpected uptick in construction projects at hospitals and skilled nursing facilities, primarily on the behavioral health side. Cal-Mortgage has been very busy as well. The budget season will begin soon, and the Legislature will officially return in December. A few weeks ago, staff received permission from the Administration to post the HPEF Executive Director and Marketing Outreach Director positions to CalCareers and social media to generate more interest and applications.

In response to Board Member Hawkins's inquiry, Mr. Reslock indicated Ms. Rizell knows HPEF and OSHPD very well and is capable of handling three roles. However, he stated he has committed to President Moghavam that, to whatever extent she needs assistance, he will help as well. President Moghavam added that the excellent staff continues to keep everything going, but he shared Board Member Hawkins' concern about Ms. Rizell juggling so many jobs. The postings have generated potential applicants.

#### **AGENDA ITEM 5: Executive Director's Report, Caryn Rizell, Acting Executive Director**

Caryn Rizell, Acting Executive Director, reported the application cycle for loan repayment programs ended October 13, 2020. The team is reviewing the applications to ensure they are correct and complete. The Allied Healthcare Loan Repayment Program (AHLRP) received 75 applications, 59 of which are eligible. In 2019, the AHLRP received 36 eligible applications. The Bachelor of Science Nursing Loan Repayment Program (BSNLRP) received more than 500 applications, approximately 360 of which are eligible. The BSNLRP received 249 applications in 2019. The Licensed Vocational Nurse Loan Repayment Program (LVNLRP) received 127 applications, 87 of which are eligible. The LVNLRP received 50 eligible applications in 2019. The Licensed Mental Health Services Provider Education Program (LMH) received 657 applications in 2020 and awarded 702 applicants in 2019. Staff is analyzing the number of people who started an application and did not complete it to determine what causes a potential applicant not to complete an application.

Staff is also analyzing the impact, if any, of the OSHPD Eligibility Quiz on applications. In the late summer months, more than 5,000 people used the quiz to learn of their eligibility for

programs. About 3,500 of those 5,000 people were looking for loan repayment programs. Approximately 2,800 of the 5,000 were identified as eligible for HPEF loan repayment programs.

The Steven M. Thompson Physician Corps Loan Repayment Program (STLRP) application cycle opens December 1, 2020. Some recipients of the STLRP decline the award in order to accept larger awards from other loan repayment programs. Declined awards are returned to the program and roll into the next cycle. The application cycle for scholarship programs opens in January 2021. HPEF has posted an application and information sheet for Advisory Committees on the HPEF website.

The retention survey will be sent to recipients who have just completed their service obligations and to recipients who completed their obligations one, three, and five years ago. Staff is in the process of closing the survey in order to compile the data. The response rate for those who have just completed their service is 60 percent; the rate for those who completed their service one year ago is 63 percent.

Staff is reviewing applications and interviewing for two Service Analyst/Program Officer positions. Because board members have not notified her of conflicts with the proposed schedule of 2021 meetings, staff will finalize the dates.

In reply to Board Member Dow's question, Ms. Rizell noted staff is composed of five Program Officers, two of which are vacant. The other staff positions include the Executive Assistant, Executive Director, and Outreach Director. She indicated she hopes to have the two Program Officer positions filled before the next cycle begins in January 2021. Staff is on track to complete the review and selection process for loan repayment applications as scheduled.

In answer to Board Member Hawkins's query, President Moghavam shared his view of the Advisory Committees as a way to increase the diversity of applicants and increase outreach and as additional bodies to score applications. After consulting with current Advisory Committee members, staff has updated the list of members. Increasing the diversity of applicants will be a focus over the next few months. The goal is to provide a list of candidates to the Board in January 2021 so that the new Advisory Committee members can be involved in the next application cycle.

Board Member GnanaDev remarked that the Board should approve the Advisory Committee members, and President Moghavam concurred.

President Moghavam emphasized the increased number of applications for loan repayment programs and noted the decrease in applications for the LMH was probably expected.

## **AGENDA ITEM 9: Review of HPEF Loan Repayment and Scholarship Program Recipient Data**

Ms. Rizell reported many of HPEF's six loan repayment programs are funded with licensing fees. The Advanced Practice Healthcare Loan Repayment Program (APHLRP) is not currently funded or offered. The AHLRP is funded by the County Medical Services Program, but fiscal year (FY) 2020-21 is the last year of funding. Funding for the BSNLRP and LVNLRP is fairly stable. In FY 2019-2020, funding for the LMH and STLRP increased due to the General Fund appropriation for mental health workforce programs, and the CVS/Aetna and Cigna investments. The Kaiser grant will expire at the end of the current fiscal year. Loan repayment programs are oversubscribed.

The ethnicity of recipients generally is diverse, but a large percentage of the recipients are women. Recipients tend to work in the counties of their residence. Data for ethnicity and gender represents data from the past five years. Data for county of residence and county of employment represents data from the past two years. Staff believes the data for counties of residence and employment is consistent over time. The data is similar for the Advanced Practice Healthcare Scholarship Program (APHSP), the Allied Healthcare Scholarship Program (AHSP), the Associate Degree Nursing Scholarship Program (ADNSP), the Bachelor of Science Nursing Scholarship Program (BSNSP), the Licensed Vocational Nurse to Associate Degree Nursing Scholarship Program (LVN to ADN), and the Vocational Nurse Scholarship Program (VNSP). AHSP recipients are concentrated in a limited number of areas because the program is funded by the County Medical Services Program, which limits recipients to its service areas.

In answer to Board Member GnanaDev's inquiries, Ms. Rizell agreed that more outreach is needed, particularly to rural counties. President Moghavam indicated an item regarding outreach can be added to an upcoming agenda. Advisory Committees may increase outreach in those areas. HPEF needs board members from rural areas as well. The ethnic diversity of recipients could be better.

In reply to Board Member Hawkins' question, Ms. Rizell advised that staff can obtain the location of an applicant's training through the online application system and analyze the locations of training, residence, and employment. Collecting the data for scholarship applicants will be relatively easy because they are still in school, but collecting data for loan repayment applicants may be more difficult. Board Member GnanaDev commented that not a single statistic reflects a distribution that is different from the distribution for physicians.

President Moghavam recalled a previous Board conversation that distribution may be concentrated in areas with nursing education hubs. Board Member GnanaDev stated a majority of physicians stay in the area of their training. Nurses are usually younger and more mobile than physicians. Therefore, the location of nurses' employment is important. Ms. Rizell indicated the maps can reflect the locations of educational programs.

President Moghavam noted board members continue to have questions, but this information is helpful for improving the quality of programs.

#### **AGENDA ITEM 6: Approval of the Minutes of the September 9, 2020, Nuriel Moghavam**

Board Member GnanaDev noted vacant Board positions are causing quorum issues. President Moghavam advised that the Governor is aware of vacant positions.

Motion (GnanaDev), Second (Carreon). to approve the minutes of the September 9, 2020 meeting as presented. Motion approved with seven in favor, zero opposed and one abstention.

#### **AGENDA ITEM 7: Finance Committee Report**

Board Member Hendry reported the auditor attended the June 10, 2020 Board meeting. The Finance Committee last received material of any substance on June 29, 2020. Staff has not provided quarterly financial reports for the second quarter. As the audit approaches, the Finance Committee's meeting with the auditor keeps getting pushed back. He expressed concern that a third audit will not be prepared on time. Staff promised to provide financial

reports in October, but the Board does not have them. Traditionally, the Finance Committee receives a draft audit in January, and the Board reviews it in March. Financial reports continue to be an issue.

Board Member Ding shared concerns about the continued delay of quarterly and year-end reports and an eventual delay of the audit. The auditor appears to be reporting to staff rather than the Finance Committee or the Board. He questioned whether that is the usual procedure given HPEF's unique structure. The Board is ultimately responsible for approval of the audit report. Standard governance procedures for boards usually have the auditor's report to the board. It is important for the Board to review financial information more frequently than once a year. Prior requests for financial reports have not been formal requests. The Finance Committee needs the reports before the scheduled Board meeting in order to review them.

Board Member Ding moved, seconded by Board Member Flores, to submit a formal, written request for OSHPD to provide five financial reports, four quarterly reports and one year-end and audit report, to the Board and Finance Committee at least two weeks prior to each Board meeting, *i.e.*, first quarter reports two weeks prior to the January 13, 2021 meeting, second quarter reports two weeks prior to the May 12, 2021 meeting, third quarter reports two weeks prior to the September 8, 2021 meeting, and fourth quarter reports two weeks prior to the November 3, 2021 meeting.

In response to President Moghavam's questions, Board Member Ding preferred OSHPD submit reports even earlier to the Finance Committee. Because this is a change to the usual process, he indicated he does not wish to make the request burdensome and unachievable. Board Member Hendry agreed with President Moghavam's suggestion for OSHPD to provide the reports to the Finance Committee two weeks prior to the Board meeting with the Finance Committee disseminating the reports to the Board through the appropriate channel one week prior to the meeting. The Finance Committee needs time to review the reports and obtain answers to any questions they may have in order to answer questions from the Board. Board Member Ding wanted to receive at a minimum a year-to-date balance sheet and income statement or alternatively, a year-to-date comparison of budgeted and actual amounts and the ability to request additional information.

Board Member GnanaDev noted standard financial reports include a balance sheet, an income statement, and a cash flow analysis. The balance sheet and income statement compare budgeted and actual amounts. Usually, a finance committee receives the reports first and along with staff makes a presentation to the board. President Moghavam felt Board Member GnanaDev's suggestion would be ideal for the Board.

Board Member Hawkins remarked that the Board has requested these reports and not received them. Therefore, the request is really a demand.

Board Member Flores indicated the first explicit request for financial statements was made a year ago, if she recalled correctly. Perhaps the formal motion with a schedule will succeed. While the request is respectful, it is within the powers and the responsibilities of the Board. Not having the information jeopardizes the Board's and the Trustees' ability to fulfill their functions and duties as fiduciaries of the organization. She appreciated the Finance Committee's continued efforts and hoped this will be the definitive point.

Board Member GnanaDev commented that most board members spend little time on finances because the process is routine and the finance committee reviews the reports and reports any

problems. Putting the routine into place seems to be the problem. The Board has a fiduciary duty to review financial reports and is obligated to demand them. When he joined the Board in 2019, this was an issue.

Board Member Byzak believed the Board needs to finish this longstanding issue. Financial reports are a basic component of staff and board interaction. He indicated he has never been a member of a board that had one problematic audit, much less three consecutive ones. Staff has been heavy on excuses and light on answers. This conversation along with the conversations over the past years are concerning.

In reply to President Moghavam's query, Board Member Hendry advised that staff promised to provide year-end reports for FY 2019-20 in October 2020 but has not done so. The meeting with the auditors has been delayed again. The Finance Committee needs the year-end reports for the audit. Staff has told the Finance Committee that the problem is the financial system, but this is not the first cycle of the problem. The previous auditor advised him that the firm provided services outside its purview in order to correct the books for the final audit it conducted.

At a previous meeting, the Board discussed retaining a consultant to help the Board with the process. He indicated he did not know if staff has closely followed the corrective action plan from the last audit. If financial information is not ready when the auditor has scheduled time to conduct the audit, the audit could be pushed out even further and result in a late audit and corrective letters from the State Attorney General. The year-end numbers and the audit are critical at this point. Board Member Hendry expressed willingness to work with staff on the quarterly reports. This problem is stretching into the third audit cycle when staff assured the Board this would not happen again.

President Moghavam related that the motion pertains to quarterly reports, but a second motion regarding the year-end information still will not solve the issue.

Board Member Hendry stated Board Member Ding addressed a fifth set of financials, which is the year-end information. Additionally, the Board, specifically the Finance Committee, was removed from the audit engagement letter for some reason. The previous auditor was terminated without the Board's and/or the Finance Committee's consent. OSHPD staff is directing the auditor without consulting the Board via the Finance Committee or the Board President. The problem is not only quarterly and year-end information but also the Board's interaction with the audit process.

President Moghavam recommended the Board take a short break, proceed with Items 13 and 10 as the guest speakers are present, and return to this item later in the meeting.

The Board recessed and reconvened.

### **AGENDA ITEM 13: HPEF Awardee Testimonials**

Ms. Rizell introduced Dr. Francis Runas, a family medicine physician with AltaMed, and Dr. Shivani Escamilla, an LMH recipient.

Dr. Francis Runas advised that the STLRP award has been a great help. His mentor at Arrowhead Regional Medical Center in Colton reminded him to give back when he completed his residency. He became a family medicine doctor because he wanted to engage his patients as his family. He is currently working at AltaMed in Huntington Park. Much of his patient

population is essential workers who have been exposed to COVID-19. When the positivity rate for most of California was 8 or 9 percent, AltaMed's positivity rate was in the 20s. In response to COVID-19, AltaMed incorporated more telemedicine, but treating patients is still a challenge. The STLRP award has offset the loss of income from pay reductions. The program removes many of the barriers to working in underserved communities. He was recently promoted to Site Medical Director and intends to remain at the medical center longer than required by his service obligation. AltaMed is initiating several new and exciting programs that encourage students in medical fields to serve the community.

Board Member GnanaDev remarked that AltaMed's telemedicine program is one of the oldest in the country.

Board Member Hawkins commended Dr. Runas for serving the community. Dr. Runas appears to be achieving his goals through his current employment. In answer to Board Member Hawkins' question, Dr. Runas explained that providing quality care is essential in this time of COVID-19 and to maintain funding for the medical center. Additional challenges to practicing in an underserved community are the need for infrastructure and the uncertainty of the Affordable Care Act. The Public Service Loan Forgiveness Program has many technical requirements and, consequently, participants' loans are rarely forgiven. Board Member Henning agreed that the program is a bureaucratic nightmare.

In reply to President Moghavem's inquiry, Dr. Runas indicated he initially learned of the STLRP while a resident, and AltaMed made him aware of several programs. The HPEF website provides all the information about the program and applying. Two physicians have joined AltaMed because of his explaining the ability to work with the underserved and qualify for loan repayment programs. Outreach to residency coordinators of internal and family medicine programs could benefit HPEF.

President Moghavem appreciated Dr. Runas' comments, commitment to serve in an underserved community, and promotion of the STLRP.

Dr. Shivani Escamilla related that she has been applying to loan forgiveness programs under the HPEF umbrella since 2011. She encourages her staff and job applicants to apply to programs. These awards augment the salaries of medical facilities. Her husband is a social worker in underserved communities and has applied for HPEF awards as well. The award has been a real blessing. She appreciated hearing the Board's concern about the administrative aspects of the programs. She offered to promote HPEF programs to county staff.

President Moghavem thanked Dr. Escamilla for persevering with her applications and professional work. In answer to President Moghavem's question, Dr. Escamilla advised that repayment issues are ongoing. Michelle, her Program Officer, has assisted her with issues and provided information about loan repayment programs. President Moghavem appreciated the kind words about the Program Officer, which highlight the importance of HPEF staff. He suggested Dr. Escamilla consider joining an Advisory Committee.

Board Member Dow indicated Dr. Escamilla's information about issues provides the Board with insight into the process. These types of issues can discourage individuals from applying or promoting the programs. Perhaps the Board is interested in calling for an audit of the process. Dr. Escamilla clarified that the issues have been minor compared to the benefits of the program.

In response to Board Member Hawkins' query, Dr. Escamilla indicated she and her husband work in underserved communities in different counties.

President Moghavam commented on the helpfulness of hearing the experiences of recipients.

#### **AGENDA ITEM 10: HPEF Board of Trustees Strategic Planning Update**

Maura Harrington, Center for Nonprofit Management, reported the purpose of the Board survey was to obtain board members' perceptions of strengths and challenges. The survey was intended to capture experiences. The sample size for the survey was 11. The majority of board members have served on the Board three years or less. Agreement with the statement that board members are familiar with the Board's mission is high at 4 on a scale of 1 to 5. Agreement with the statement that the Board's policy decisions and HPEF programs consistently reflect the mission is 2.9. Suggestions for what the Board can do better include focusing on data, having a broader impact, increasing partnerships, being visible, being financially transparent, and developing fundraising capacity.

The majority of board members agreed that the Board respects management responsibilities distinct to the Executive Director, but 30 percent were unsure whether the Board operates from a perspective of mutual trust and respect with the Executive Director. Responses were mixed as to whether the Board assesses the Executive Director's performance in a systematic and fair way. A concern about lack of trust came up in relation to improving the relationship with OSHPD and staff.

The Board is not focused on long-term strategy and planning. The majority of board members did not agree with the statement that the Board has shared a strategic vision for the next three to five years. The Board could do better by engaging in multiphase and well-articulated strategic planning and by resolving board culture. Board members believe the Board is knowledgeable about programs and services and knows the impact of each program; however, understanding funding could be slightly better. The Board could do better by refining outcome metrics and allowing them to drive decision-making and strengthening orientation for newer members.

The majority of board members disagreed with statements regarding protection of assets and financial oversight. The Board could do better by forming a separate committee that makes recommendations to the Board, resolving rights and authorities around fiduciary needs, requests and transparency, and obtaining timely and effective financial reports. Responses were mixed with respect to expertise, orientation, familiarity with Bylaws, productive meetings and committee assignments. The Board could do better by updating the Bylaws, developing an orientation specific to HPEF, having ethnic/racial and skill diversity on the Board, creating diversity in fundraising communities, and having more involvement from committees.

A deep challenge for the Board is the inability to control board members because they are appointed by the Governor and Legislature. Responses were mixed with respect to board members ensure Board operations complies with Bylaws and Board periodically reviews insurance carried by HPEF. About half of board members felt they are equipped with key messages and information about HPEF's work; and 36 percent agreed and 36 percent disagreed with the statement that board members actively promote HPEF in the community. The Board can do better by providing training, participating in external engagement opportunities, developing talking points, and building stronger relationships and networks to healthcare. Responses were split with respect to the Board understands its role and



expectations in fundraising and board members all give quality annual gifts based on their means and ability. More than a third of board members were unsure whether board members have identified their roles in fundraising efforts.

Priorities during COVID-19 included redefining the vision/mission/goals, finishing the strategic plan, addressing issues with the Bylaws, understanding the target population, partnering with organizations providing COVID-19 support, developing a data-driven approach to everything, leveraging, promoting, and funding scholarships and loan forgiveness, developing a contingency plan for availability of funding, focusing on budget planning, developing a fundraising plan, promoting awareness of HPEF, hiring a permanent Executive Director, supporting award recipients' involvement in COVID-19 responses, building stronger financials, creating a professional fundraising team, defining staff priorities, evaluating and filling staff vacancies, and working toward a better Board. The two main themes of priorities listed at the retreat were fundraising and roles.

President Moghavem believed the data is helpful. The Board appears to agree about issues. The survey was a nice way to emphasize big-picture topics and highlight ongoing priorities.

In reply to Board Member Hawkins' inquiries, Ms. Harrington suggested board members becoming familiar with one another will benefit a discussion of vision and long-term goals. Board members need time to talk about next steps and ensure everyone has data and knowledge to make decisions. She indicated she will act as facilitator for future discussions. President Moghavem advised that a discussion of additional data and next steps is planned for January 2021. The topic for today's discussion is additional data points.

President Moghavem noted outside stakeholders are groups that provide HPEF funding or work in healthcare workforce development. Learning their opinions of HPEF or the needs they are looking for can be useful. Award recipients can be a great source of information. Obtaining the perspectives of OSHPD and HPEF staff will help the Board determine next steps.

Board Member GnanaDev suggested an in-person meeting with staff and external stakeholders can help the Board determine where it wants to go. Because of COVID-19, virtual meetings may be the only way to meet. President Moghavem suggested virtual meetings of subgroups to facilitate conversations. The Board needs staff support and partnerships to follow through on grants, applications, and funding and to clarify the roles and responsibilities of HPEF and OSHPD. The Board can develop an orientation program for new members.

The Board recessed and reconvened.

#### **AGENDA ITEM 7: Finance Committee Report (continued)**

Board Member Ding reiterated his motion and his request to clarify to whom the auditor reports and the extent of the Board's responsibility and accountability for financial information and the audit report.

In answer to President Moghavem's inquiry, Board Member Ding advised that a request from the Board to be a party to any communication between the auditor and staff is a good start. The bigger question is whether the auditor reports to the Board and the Board approves the audit report.

Board Member GnanaDev commented that most boards are responsible for approving the audit report.

Mr. Reslock indicated he heard the Board's frustration. He understood the last briefing with the Finance Committee went well. OSHPD is on edge about the financial issues as well. He advised that about a month ago he discussed the issues with Ms. Erickson, who stated at the time that preparing the financials on or before November 2, 2020 would be challenging. However, she was hopeful the reports would be ready on time. He concurred with the decision to postpone preparing the reports until staff are confident they are correct. He reported that Ms. Erickson's staff has been working nights and weekends attempting to prepare the financial reports, and OSHPD has paid for the overtime. The Department of Finance, the State Auditor, and the Legislature constantly scrutinize OSHPD accounting. The Healthcare Workforce Development Division, including HPEF, has a great record of being good stewards of funds. OSHPD has an obligation to provide these reports for the sake of HPEF's oversight responsibilities and public transparency.

Monica Erickson, OSHPD Administrative Services Division's Deputy Director, reported OSHPD has hired an accounting administrator with FI\$Cal experience. Staff has completed Generally Accepted Accounting Principles (GAAP) statements for two of HPEF's seven funds. Staff is working on GAAP statements for three additional funds, running reports for another fund, and trying to resolve problems for the final fund. All funds have to be submitted to the auditor as a package; therefore, one fund can hold up the process. Staff has provided the auditor with information for his sampling, and the auditor's work is proceeding. Staff previously requested an extension of the November 2, 2020 deadline to November 18, 2020.

In answer to President Moghavam's query, Ms. Erickson related that she has not informed the Board about problems because they arise as staff attempts to close. The funds were input to the wrong FI\$Cal module; therefore, the funds do not feed to the reports that staff needs to submit to the State Controller's Office. The problem fund has multiple-year appropriations, which are difficult to record in FI\$Cal. Many of times FI\$Cal has to install fixes, and staff has no control over that.

Board Member Hawkins indicated staff's comments are not reassuring. He indicated Board Member GnanaDev shared his experience of financial reports becoming almost boilerplate once the system is arranged. That may not be possible here. Ms. Erickson explained that things start going well, and then FI\$Cal has to install fixes. Once the sequence is set, staff will be better at preparing reports. OSHPD has doubled its accounting workforce, but the workforce needs to know FI\$Cal and what they are doing. Staff finds and fixes problems, and the timeliness of reports gets better every year. Board Member Hawkins suggested OSHPD may not have the ability to meet the Board's needs.

Board Member GnanaDev commented that, if these reports are not correct, the public will seek answers from Mr. Reslock and the Board. He indicated he is feeling slightly better after Mr. Reslock's statements, even if Board Member Hawkins is not. He expected staff to provide the reports by the next meeting. Mr. Reslock remarked that learning that staff has been fixing errors from two and three years ago has been very painful. That could mean bad news in reporting to the Board; however, staff is moving toward solid ground.

Ms. Erickson reported staff has to get into a routine of closing monthly and FI\$Cal has to work correctly for staff to provide timely quarterly reports to HPEF. Staff is not currently in a routine of closing monthly. FI\$Cal problems affect all State departments and all OSHPD divisions.

More staff is needed to prepare the quarterly statements for HPEF. OSHPD could prepare a proposal for preparing the statements for HPEF, but the expense would be charged to HPEF. HPEF is currently paying 30 percent of two staff salaries for normal work. OSHPD's standard practice is not to charge administrative fees to the divisions. Quarterly GAAP statements may not provide the information the Board seeks. Revenue is realized at the end of the fiscal year, and awards do not occur until six months into the year. Those two things will not be reflected in the first two quarters. FISCAL has many reports that show activity, if that is what the Board seeks. Even if staff closed timely, reports for the first quarter would not be available until November. Staff provided the Board with mid-year GAAP statements, on which the Finance Committee provided minimal feedback. OSHPD is considering options that will help staff close timely. Staff was late closing FY 2019-20 because they had to award all the contracts in the accounting system in June, the end of the fiscal year. She indicated she wants all accounting activities to cease at the end of May so that the accounting team can focus on closing. HPEF's award payments and contract executions are now timely. Staff engages with the auditor to provide fiscal information only. Communications are exchanged through the auditor's web platform unless a request for information is confusing, in which case staff calls the auditor.

President Moghavam felt staff has made some progress over the last year and communications have improved. It is reasonable for the Board to provide its expectations. The Board has to fulfill its role of oversight. It is important for the Board to know if staff can meet its expectations. If staff cannot meet the expectations, the Board needs to determine the additional resources it needs and to entertain all options. While he deeply appreciated staff's hard work, the Board has expectations. The Finance Committee will be responsible for ensuring work progresses between Board meetings.

In reply to Board Member Hawkins' query, Board Member Ding did not believe the Board's request is unreasonable. This is not an unusual request. Any board with any sort of fiduciary responsibility must have this information. The reports are a cost of doing business. The Board has to determine the resources needed to obtain the information. Board Member Hendry did not believe the request for information is unreasonable. Acting Director Mijic made promises, and progress on fulfilling those promises is not adequate. The quarterly financial reports do not need to be GAAP. He indicated he understands the problems of producing GAAP reports. Reviewing financials every quarter is appropriate for any mature business, especially a nonprofit. He did not believe HPEF is a complex entity. His primary concern is the role of the Board related to the audit. The statement that staff only interacts with the auditor through the portal is not true. The previous auditor was terminated with a weak excuse. The Finance Committee has no role in signing the engagement letter. Staff admitted the audit has begun, but the Finance Committee has not been party to a meeting. The Board needs to re-establish its position for the responsibility of the audit.

Board Member Ding clarified the motion in that the quarterly reports do not need to be GAAP.

Motion (Ding), Second (Flores). Motion approved with seven in favor and zero abstentions.

Board Member Ding requested clarification of the Board's role in interacting with the auditor, including approving reports, selection of the auditor, and retaining and terminating the auditor.

President Moghavam indicated Board Members have consistently stated their belief that the auditor should be responsive to and communicate with the Board. That seems to be the belief of OSHPD staff as well. Over the next few months as Board Members Ding and Hendry work

with staff and the auditor, they should note specific issues and present them to the Board at the next meeting for a vote.

Ms. Erickson reported staff can instruct the auditor to copy the Finance Committee on all communications and provide the Finance Committee with access to the auditor's web portal, if the Board wishes.

Board Member Ding agreed with staff's proposal.

Board Member Hendry did not want access to the portal as that type of communication is within staff's purview.

Board Member GnanaDev concurred with Board Member Hendry. The Board should not remove all of staff's responsibilities.

President Moghavam suggested prior to the next Board meeting, the Finance Committee work with staff to determine the precise level of transparency between the Board and the auditor.

OSHPD Legal Counsel James Yi advised that the portrayal of the situation with the prior auditor is not entirely accurate.

#### **AGENDA ITEM 8: Discussion of HPEF Bylaw Proposed Changes**

Board Member Flores reported the Bylaws Committee is not proposing any changes but requesting discussion and seeking direction. If the Board suggests revisions, they can be presented to the Board for a vote in January 2021. The Bylaws can be reorganized to be intuitive and reader-friendly. For example, definitions are typically the first section of Bylaws rather than the final section. The Bylaws appear to be in draft form because of the number of reserved sections. She requested the rationale for the reserved sections if anyone knows. The Bylaws Committee proposes deleting the reserved sections.

Board Member Hendry advised that prior legal counsel, Ryan Buckley, indicated the reserved sections were populated in an earlier version of the Bylaws. Mr. Buckley retained them to facilitate future modifications.

President Moghavam deferred the decision to retain or remove the reserved sections to the Bylaws Committee.

Board Member Flores indicated the Bylaws do not provide a procedure for election of individual officers of the Board. She requested comment on crafting an election or an appointment procedure. If the Board prefers to elect officers, the Bylaws Committee will draft an election process for the Board's consideration in January.

Board Member GnanaDev noted the Governor appoints the President. The Board should elect any other officers. An election has to be held in a public meeting with a roll call vote. Board members should be allowed to nominate themselves or other board members. President Moghavam concurred.

Board Member Flores related that the Bylaws distinguish among officers, trustees and board members. Not all board members are trustees. The Bylaws Committee suggests officers should be limited to trustees and to holding one office at a time.

In response to President Moghavam's inquiry, Board Member Flores stated only trustees can be officers of the Board but not necessarily of the corporation.

Board Member Dow reported the Bylaws Committee will clarify provisions that appear to designate OSHPD or HPEF staff to official places on the Board.

Board Member GnanaDev agreed with not providing staff members with a place on the Board.

Board Member Flores indicated the Bylaws Committee will create an office for vice president and suggested two-year terms for officers. The Bylaws do not provide any named standing committees. Standing committees could be a finance committee and a programs committee

Board Member GnanaDev preferred two-year terms. Board Member Hawkins and President Moghavam concurred.

Board Member Dow proposed an executive committee for a standing committee.

President Moghavam proposed a development committee. A bylaws committee could be either standing or ad hoc. Committees may be composed of more than two board members, but the meetings have to be public and noticed.

Board Member Dow appreciated Board Member Flores' review and proposals for the Bylaws, and Ms. Church-Reeves' review and explanations. She requested a volunteer to join her on the Bylaws Committee as Board Member Flores' term ends at the end of the year.

President Moghavam noted the Bylaws Committee's work should be complete in January 2021. As no one else expressed interest, he volunteered to serve on the Bylaws Committee. He thanked Board Member Flores for her service and contributions to the HPEF Board.

Board Member Flores stated serving on the Board has been a wonderful learning experience and expressed gratitude for the opportunity to work alongside each board member. She indicated she will assist with Bylaws revisions in November and December as her term does not officially end until January.

#### **AGENDA ITEM 11: Directors and Officers (D&O) Insurance Update**

President Moghavam reported staff is obtaining quotes.

#### **AGENDA ITEM 12: HPEF Executive Director and Outreach Director Search Update**

President Moghavam advised that both positions have been listed on the CalCareers website. Applicant interviews will be held in the next couple of weeks.

#### **AGENDA ITEM 14: Agenda Items for the Next Board Meeting**

President Moghavam noted items for the January meeting include strategic planning, Bylaws revisions, and a Finance Committee report including auditor communications. Advisory Committees, recruitment for mental health in rural areas, and election of officers may be on the January or March agenda. He will review process improvements for applicants with Ms. Rizell and determine if an agenda item is needed.

In answer to Board Member Hawkins' question, President Moghavam advised that Ms. Rizell asks Program Officers for recommendations of award recipients to present to the Board. He will attempt to alternate award recipients with other subject matter experts.

President Moghavam appreciated board members' participation in a great meeting and several productive conversations.

**AGENDA ITEM 15: Public Comment**

None

**AGENDA ITEM 16: Adjournment**

President Moghavam adjourned the meeting at 1:41 p.m.